

G. R. S. IX-5]

Previous references.
C. 7 232-16 (1, 2, 3, 4, 5)

File No. 41-11

1916-17

Serial Nos. 3, 5, 8, 11

Later references.

C. 7 158-19 86: 182, B Jan 7 1920
" " 364, B March 1920

C. 7 48-26-163

C. 7 98-32 (1-3)

C. 7 192-56

GENERAL AND REVENUE SECRETARIAT.

P-23

Serial Nos. ~~3, 5, 8, 11~~

Part B for Sep: 1917

SUBJECT.

Private Secy to H. H.
Pointing out that it is an anomaly that Subscriptions
to the Provident Fund should bear interest at 4% while
Savings Bank deposits should carry 5% & requests
that Govt may pass suitable order in the matter

Ser: 11 H. 671-721 of: 11.8.17

Govt are please to raise the rate of
interest on Subscriptions to the State Provident Fund
from 4% to 5% as a temporary measure
for a term of 3 years.

GENERAL AND REVENUE SECRETARIAT.

(42)
NOTES.

File No. 41

FILE HEADING

State Provident Fund

From

The Private Secy to H. H. The
No. 4224 Dated 5.5.17 Received Ancharaya

Diary No.

2704

Enclos.

hil

Spare Copies.

Serial No. 3

BRIEF ABSTRACT OF LETTER.

Points out that it is an anomaly that subscriptions to the Provident Fund should bear interest at 4 p.c. while Savings Bank deposit should carry 5 p.c. & requests that Govt may pass suitable orders in the matter.

NOTES AND ORDERS.

1) 11 copy of the f. o H 7389-437/B.15-14-2
g/15-26-1915 constituting the State
Provident Fund is put up.

2) Rule 5 distinctly states that
compound interest at 4 p.c. will be

G. R. S. III-2]

General and Revenue
Secretariat.

G 7 File No. 41 of 1916

Serial
No.allowed on subscriptions to the
Provident Fund.

3) ordinarily this compound interest with continuous rights this the period of service of the subscriber. Besides there are other facilities offered peculiar to the Provident ^{fund} such as grant of loans with recovery by instalments.

4) copy of list for Rs. H 6005/G 7 232-16-1 J 2-4-17 announcing revision of rates of interest on Savings Bank deposits is put up.

5) The 5% interest referred to in the paper under disposal is only on long term deposits for a year or more.

6) The disadvantages complained of is ~~noted~~ balanced by other advantages peculiar & inclusive to the Provident Fund.

but Mr. There is some force in the 10/5 representation. But the raising of the ^{subsidy} S. B rate of interest is temporary,

2704

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General and Revenue
Secretariat.

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41

of 1916.

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No.

tho the notification issued does not make
mention of that fact.

if ^{when} it is decided to raise the rate of S. B.
deposits permanently the question of raising
the rate of interest on Provident Fund subscriptions
might be considered after the cessation of
the war.

In the meantime whether any increase
rate is allowed in the for providing on Provident
fund subscriptions might be ascertained.

18

14.5.17.

Forwarded with Compliments to the Comptroller
Genl. for forwarding an expression of his opinion

18

18

For R. S. S.

14.5.1917



R 162

16-5-1917

1917

~~It may be replied as follows:~~R 151
18/5/17

The proposal to raise the rate of interest
on subscriptions to the State Provident Fund is
reasonable in view of the altered conditions of the
value of money.

2. Some officers of the Account Department
have represented that a better rate of interest

than

G. R. S. III-2,

General and Revenue
Secretariat.

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No.

than 4 per cent may be allowed on their subscriptions to the fund.

3. These subscriptions are deposits fixed for very long periods as they are refundable only on retirement or death and it is but fair to allow a higher rate of interest than 4%. I would suggest that from 1st July 1917 the rate may be raised to 5 per cent and that this rate may be allowed as long as the same rate is allowed on Savings Bank Deposits.

M. N. Sen
Offg. Comptroller.

Subt.

A further representation by the G. R. S. officials in the same matter is also placed in the file.

18/5

The Comptroller's proposal at A is very reasonable and might be sanctioned. The 7th Secy. Mr. Chakravarti has expressed himself in favour of raising the rate of interest on charitable endowments to 5% (Hoy S) for a period of 5 years.

This question is I take to be before Council.

(6)

Although I am prepared to support the proposal to raise the rate of interest, I must say that the case, in my opinion is not strong enough to receive my unqualified support.

II. The arguments which can be urged in support of the proposal to increase the rate of interest on deposits of the Provident Fund are:-

(1) That the present rate of interest namely 4 per cent is below the current market rate and as such is not likely to induce Government officers, who have not already joined the fund, to join it in future.

(2) That the Fund having been introduced by Government as a concession to its servants desirous of making provision for their old age or pre-mature death, Government should allow a favourable rate of interest on deposits of the Fund.

(3) That the rate of interest allowed on Savings Banks deposits being 5 per cent now, the rate of 4 per cent hitherto allowed to the deposits of the Fund should not be considered to be a favourable rate.

(4) The Fund was started only in 1915-16 and its balance on 30th June 1917 is likely to amount to Rs. 1,50,000 only. If the rate of interest is raised from 4 to 5 per cent, the additional interest payable on this balance will be about Rs. 1,500 only and it will grow so far as existing subscribers are concerned at the rate of Rs. 750 only per annum. The additional burden which will thus be thrown on the State is not very large and it will be appreciated by more than 2,500 Government servants who are at present subscribers to the Fund.

III. On the other hand there is a good deal also which can be urged against the proposal. They may be summarised as follows:-

(1) The Government of India have not yet thought it desirable to raise the rate of interest on deposits of the Provident Fund which also like the Mysore rate is 4 per cent.

(2). The main arguments used by the supporters of the proposal is that Mysore has raised its rate of interest on Savings Banks deposits. There is however no similarity between subscriptions to the Provident Fund and deposits in Savings Banks, the conditions of the latter being essentially different from those of the former. Savings Banks deposits are money kept with Government and are always at call. The interest payable on them must therefore necessarily fluctuate with the standard market rate. If the market rate attains a level higher than the Savings Bank rate, the latter must be raised as otherwise the inevitable effect will be the withdrawal of all appreciable amounts of Savings Bank deposits for investment in fixed deposits in Banks and other liquid securities where there is no chance of depreciation of the capital value.

(3) In the case of the Provident Fund, the money deposited is practically a permanent investment for the benefit of the depositor himself after he has retired or for the benefit of his family if he dies before. The advantages of the Provident Fund are many and the rate of interest allowed on the deposits is not one of the important factors. The main advantages are that a Government Officer after he has joined the Fund, is ^{more or less} compelled to save the required amount month after month, ^{unless he deliberately withholds from} ~~as once an officer has joined~~ the Fund, ^{at the end of a financial year & even then cannot withdraw the} ~~his continuance as a subscriber is compulsory.~~ It allows very small savings to accumulate year after year at compound interest. He can make the accumulated balance payable to his wife and heirs easily and no stamp duty is payable, whatever the amount may be, and the amounts cannot be attached in execution of a decree by any court of law. The comparatively small amounts ^{payable to the fund} are deducted compulsorily from the monthly pay and the officer has no trouble whatever in the matter and there is no chance of any depreciation of the capital amounts of the deposits. All these are very substantial privileges which are not enjoyed by Savings Bank depositors.

Amounts deposited by him till he retires from service or dies.

(4) Provision for old age and for family is ordinarily made by every person by means of insurances and permanent investments and very few persons think of making such provision by deposits in Savings Banks. No Insurance Company has found it desirable to reduce its rate because of the temporary rise in the current rates of interest. As regards permanent investments, depositors in Provident Fund Institutions should be thankful that their deposits have not depreciated in capital value like all securities in the whole world.

(5) Every officer joining the Provident Fund practically enters into a contract with Government, in the same way as an insurant enters into a contract with an Insurance Company, to pay a fixed percentage of his salary to Government month after month during his service, Government undertaking to repay it with compound interest at a fixed rate to the officer himself when he retires from service or to his heirs or nominees, if he dies while in service. These deposits are usually ^{made in} ^{instalments} very small and whatever the rate of interest may be, Government loses, as it cannot invest these small deposits as soon as they are paid. Even 4 per cent is a concessional rate and is allowed to encourage Government officers to make provision for old age and pre-mature death.

(6) As regards the deposits already made, the Government side must also be taken into consideration. These deposits were made at a time when the current market rate of interest was 4 per cent or even less and it should be borne in mind that Government could have raised these amounts from the open market at 4 per cent. Then again, in order to meet its liabilities in regard to this Fund and other similar liabilities, Government has been investing its surplus balances in Government and other securities and has lost heavily by a depreciation of the capital value of these securities. Just as Government has no right to expect that its debtors should make good the loss, similarly the
creditors

creditors of Government have no right to expect that Government would raise the rate of interest on permanent deposits made by them with Government at a definite rate of interest.

(7) There are 2,500 depositors in the Provident Fund and the annual deposits amount to Rs. 70,000 only. The average annual amount per depositor is thus less than Rs. 30 and the monthly average is less than Rs. 2-8-0 per depositor. 4 per cent on such small deposits is a fairly high rate of interest, considering the many other advantages which are secured by depositors of the Fund. In fact the rate of interest allowed is not at all one of the principal inducements for a Government Officer to join the Fund.

(8) The rate of interest on these deposits made in such small instalments ought not to be ^{varied} ~~very~~ now and then in accordance with any temporary fluctuation in the market rate of interest. The rate should be fixed for fairly long periods. The present rise must for the present be held to be purely temporary and will probably go down by at least $\frac{1}{2}$ per cent during the next three to five years. The depositors will certainly welcome an increase in the rate at present, but if the market rate goes down and Government finds it necessary to reduce the rate for these deposits, the depositors will certainly protest equally strongly and urge that as a concessional rate, it ought to be higher than the market rate and should not therefore be reduced. It should be borne in mind that the rate of interest actually credited to the deposit accounts is not a true measure of the total expenditure incurred by Government in connection with the deposits. Their

5.

Thier realisation by deduction from salaries, and the maintenance of accounts cost Government a substantial sum.

A | IV. These are briefly the pros and cons of the case. If the accumulated balance of the Fund had been as large as in the case of the Government of India Provident Institutions, I should certainly have opposed the proposal, but I support it now only because the Fund in this State is in its infant stage because the ~~benef~~ benefits other than the compound interest, which I have enumerated are not probably understood by most officers of Government and the growth of the Fund in future is likely to receive a serious check unless the rate of interest is raised and finally because, the additional burden which will be thrown on the State if the proposal is sanctioned will not be large, while the Government will succeed in inducing a habit of thrift among all classes of servants, an object which deserves special encouragement by Government. There are at present more than 9,000 Government officers who have insured their lives with Government while only 2,500 Government officers have joined the Provident Fund up to now. It is therefore desirable to give every encouragement to the Fund, so that the other officers may join it.

B | V. I should however say that the increase ought to be sanctioned as a purely temporary concession and Government should reserve in explicit terms the right to reduce the rate whenever it may deem it expedient to do so and that such a course might be adopted even if the rate of interest allowed on Savings Banks deposits may continue to be as high as

as at present. The latter rate will have to be regulated on entirely different considerations. The balance is very large and though the object is the encouragement of thrift among the people, no less an important object in future should be to raise funds by means of it from the people for the execution of productive works for the State. I may state here that as soon as the ^{money} market has quieted down and whenever the State feels that the rate of interest can be reduced even by $\frac{1}{2}$ per cent, the depositors in Government Savings Banks should be given the option of converting their deposits to fixed term debentures at a reasonable rate of interest as was done in 1906.

VI. I should also note that the proposed concession in regard to the Government Provident Fund should not be allowed to the Railway Provident Fund or the State Insurance Fund for purposes of its valuation.

143. 7.3.7.17.

K. L. Datta

2.7.17

Sewan)
The Secretary

182
7.7.17

Mr. Datta supports the proposal at A in his note + it may be sanctioned on the conditions specified at B & C

For
577 1872

Sewan)

I agree. The proposal may be sanctioned for a period of 2 years - say 3 or 5 years - at a time.

17.7.17

LC draft-
16/7.17.

136
6.9.17

mk

2706

WD 1233-GPB-60,000-1-12-16-S

(12)

G. R. S. III-2]

General and Revenue
Secretariat.

g 2 File No. 41 of 1916

Serial
No.

Draft Rtd
for (9m, 7c secy). 187
19/7 19.7.17
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income
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187 member)

Appd

Ull

18/8

Issued & then submit

to be seen for information.

18
4.8.

Deewan's (Hec)

Seen

4.9.17. 20 18372

864
13.8.17

11 In Private Secy to H H

" Com phm

" Hrs of Dept + D co of this

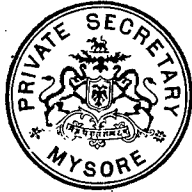
Mr K. L. Datta

H 671-721

11.8.17

Govt are please to raise the rate of interest
on this copy to the S. P. & from
4% to 5% as a temporary measure
for 3 years —

No. 4224.



THE PALACE,
FERN HILL.

5th May 1917.

2704

G.F. 41-16
No. 232-18
3

M.R.

From

R.H. Campbell Esq., C.I.E.,

Private Secretary

to His Highness the Maharaja of Mysore.

To

Rajamanthrapravina Dewan Bahadur

J.S. Chakravarti Esq., M.A., F.R.A.S.,

Financial Secretary to
the Government of Mysore,

Bangalore.

Sir,

In inviting reference to Government Notification No. Fl.6005/G.F.232-16-1 dated 2nd April 1917 sanctioning a revised scale of interest in the case of deposits in the Mysore Government Savings Banks, I have the honour to point out that it is an anomaly that subscriptions to the State Provident Fund should bear interest at the rate of 4 per cent per annum while corresponding deposits in the Government Savings Banks should carry interest at the rate of 5 per cent per annum. Subscribers to the State Provident Fund will thus be placed in a disadvantageous position when compared to Depositors in Government Savings Banks and there would hardly be sufficient inducement for them to continue subscribing to the Fund at a lesser rate of interest than that allowed in Government Savings Banks. May I therefore request you to be so good as to place the matter before Government for such orders being passed as may be deemed fit under the circumstances?

I have the honour to be,

Sir,

Your most obedient servant,

Private Secretary.

4

V.D. ... 5

70729-437

15-5-2
3-15-15

D. 2782⁽²⁾

To

The Secretary to Government,
General Department.

Respected Sir,

We the undersigned subscribers to the State Provident Fund beg to state that enhanced rates of interest are allowed, under the recent orders of Government, on Savings Bank Deposit amounts.

As the Provident Fund amounts allowed to remain with the Government for more than one year can also be construed as - - Savings ^{Bank} Deposits, we beg to request that the Government may be graciously pleased to order enhanced rates of interest being given on Provident Fund amounts also. This generous act on the part of the benign Government will be an impetus to the - - - subscribers not to withdraw their amounts and allow the same to accumulate.

We beg to remain,

Respected Sir,

Your most obedient servants,

Dated Bangalore
12th May 1917

Bhawanee

Varayana Ram

Shankar Prasad

M. Anant Ramdas

M. V. Anand Kumar

M. Wahid Ali Khan

Debadranand Das



Office of the Deputy Commissioner,

Tumkur District,

Dated Tumkur, 21st May 1917.

Dear Sir,

As the Government of India War Loan Bonds carry an interest of $5\frac{1}{4}$ and $5\frac{1}{2}$ per cent, it is necessary that the rate of interest on Family Provident Funds should be raised from 4 to 5 per cent.

I request that this might be done with effect from July 1917 (if not earlier).

Yours sincerely,

K. K. K. K.

To

Rajamantrapravina Diwan Bahadur

J.S. Chakravarti, Esqr., M.A., F.R.A.S.,

Financial Secretary to the Government

of Mysore, B a n g a l o r e.

D. 6 No 76

77

8

24/5/17

gml

D. 2912

G. 7 41-16

Sec. 5

2 3106 (4)

739
S.C. 3256 of 16-17

REV. ...

16 JUN 1917

Office of the Deputy Commissioner,
Mysore District,
Mysore, dated 14th June 1917.

From

K. Matthan, Esq., B.A.,
Deputy Commissioner,
Mysore District.

To

Rajamantrapravina Dewan Bahadur
J. S. Chakaravarti, Esq., M.A., F.R.A.S., etc.,
Financial Secretary to the Government of
H. H. The Maharaja of Mysore, Bangalore.

Sir,

I have the honour to state that when the State Provident Fund was instituted the rate of interest allowed was declared to be 4 per cent compound interest. At that time the rate of interest allowed on Savings Bank deposits was $3\frac{1}{8}$ per cent and the Government were pleased to allow a rate of $\frac{7}{8}$ per cent over and above the Savings Bank rate of interest. Since the Fund was instituted the rate of interest has risen all round. Mysore Government Savings Bank deposits fetch 5 per cent interest and the Government of India allows ~~4~~ 5 to $5\frac{1}{2}$ per cent on securities. As a subscriber to the Fund, I have the honour to request that the Government may be moved to suitably raise the rate of interest allowed on subscriptions, having regard to the altered conditions now existing. As the rate was fixed at $\frac{7}{8}$ per cent above the Savings Bank rate of interest, I believe it would be reasonable to fix the rate for the present at about $5\frac{3}{4}$ per cent.

I have the honour to be,

Sir,

Your most obedient servant,

K. Matthan

Deputy Commissioner,
Mysore District.

M.P.H.

3/11/18

Fair draft

G.R.S. VI-71]

6 copies
SUBJECT

Raising the rate of interest on subscriptions
to the State Provident Fund.

Diary No. of letter replied to 2704

Section 97

File No. 40-16

Serial No. 4

General and Revenue Secretariat

(97)

, the

191

Proceedings of the Government of

His Highness the Maharaja of Mysore.

Date of issue

11.8.17

Read.—

Letter No 4224 of 5-5-17

Signed by

M. B. Sreenivasiah

from the Private Secretary

to H. H. the Maharaja

recommending that the

interest of 4% now

allowed on subscriptions

to the State Provident Fund

should be suitably revised

Order Thereon:— No.

in view of the raising of

the Savings Banks rate of

in order H. 6005 of 232-16-1

of 2-4-17

May this be

i Printed?

ii treated as a standing order?

iii published in the Gazette
English part?

iv translated?

v placed at the disposal of the press?

vi published in the Gazette
Kannada part?

over.

Flag N

2) Letters No 76 of 21-5-17
+ 739 of 14-6-17 from
the Dy Commr Junagar
+ Mysore Ds submitting
similar representations
on behalf of subscribers
to the State Provident
Fund.

3) L.O. No. of 18-5-17
from the Comptroller
~~recommending~~ that the
interest on subscriptions
to the State Provident
Fund may be raised to
5% from 1st July and
as long as it is allowed
on Savings Banks
deposits.

Flag P
recommending

List of enclosures.

4) L.O. No. of 2-7-17
from Mr K. L. Datta
Special officer sup-
porting for reasons
stated the proposals.

Flag Q.

Copied by

Examined by

G. R. S. 27]

GENERAL AND REVENUE
SECRETARIAT.

(Continuation sheet draft form.)

17
to enhance the rate
of interest on Subscriptions
to the State Provident
Fund Rs. 671-721 of 11.81
order thereon

Govt are pleased to raise
the rate of interest on
Subscriptions to the
State Provident Fund
from 4% to 5% as a
temporary measure for
a term of 3 years
with effect from 1st July
1917

Wes
10/8/17

For draft
approved by
H. L. Datta

18
9/8/17
For Secy

To

The Private Secy to H. L. Datta
" Comptroller the Comptroller
" Heads of Dep'ts
" Dy Comms of D'ts
" H. L. Datta Esq
Special Officer

Proceedings of the Government of His Highness the
Maharaja of Mysore.

Read:-

Letter No. 4224 dated 5th May 1917 from the Private Secretary to His Highness the Maharaja recommending that the interest of 4 per cent now allowed on subscriptions to the State Provident Fund should be suitably revised in view of the raising of the Savings Banks rate of interest in Notification No. Fl.6005/G.F.232-16-1 dated 2nd April 1917.

2. Letters No. 76 dated 21st May 1917 and 739 dated 14th June 1917 from the Deputy Commissioners Tumkur and Mysore Districts submitting similar representations on behalf of subscribers to the State Provident Fund.

3. Unofficial Note dated 18th May 1917 from the Comptroller recommending that the interest on subscriptions to the State Provident Fund may be raised to 5 per cent from 1st July and as long as it is allowed on Savings Banks deposits.

4. Unofficial Note dated 2nd July 1917 from Mr. K.L. Datta, Special Officer supporting for reasons stated the proposal to enhance the rate of interest on subscriptions to the State Provident Fund.

Order No. 671-721
S. 17 41-16-11

Dated Bangalore, the 16th August

Government are pleased to raise the rate of interest on subscriptions to the State Provident Fund from 4 per cent to 5 per cent as a temporary measure for a term of 3 years with effect from 1st July 1917.

[Signature]
Financial Secretary to G

To

- The Private Secretary to His Highness the Maharaja.
- " Comptroller to Government.
- " Heads of Departments.
- " Deputy Commissioners of Districts.
- " Datta, Special Officer.

copy to Press Room

See Serial Secy

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